

Eighth Annual U.S.-China CEO and Former Senior Officials' Dialogue

JOINT STATEMENT

The U.S. Chamber of Commerce (referred to as USCC hereafter) and China Center for International Economic Exchanges (referred to as CCIEE hereafter) co-hosted the 8th U.S.-China CEO and Former Senior Officials' Dialogue from May 18 to 19, 2016 in Washington, D.C. Over the previous seven rounds of the Dialogue, the two sides have conducted in-depth exchanges on critical issues in U.S.-China relations and engaged in forward-looking discussions on strategic, long-term, and macro-level topics.

USCC and CCIEE, together with leading CEOs and former senior officials from both sides, underscore that both business communities must continue to play leading roles in advocating before their governments to strengthen and expand economic cooperation and openness; enhance economic policy coordination and information sharing; remove obstacles and restrictions to bilateral trade and investment; and jointly create and promote new commercial opportunities, including in third countries. Both sides discussed and agree upon the importance of cooperative efforts and actions that can form building blocks to free and open trade and investment between the two countries.

The 8th Dialogue occurred against the backdrop of slow growth and significant uncertainty in the world economy. Both sides agree that increasing levels of debt globally, exchange rate volatility, and rising deglobalization trends have created new obstacles to global economic recovery. This session also came six months in advance of the U.S. presidential election, and 18 months in advance of China's 19th Party Congress.

Against this backdrop, USCC and CCIEE call upon the two presidents, supported strongly by the business communities in both countries, to take concrete steps to advance a mutually beneficial bilateral economic and commercial relationship, enhance regional economic integration and cooperation through openness and inclusiveness, ensure a positive policy environment for innovation, and deepen

cooperation in areas such as financial services, healthcare, clean energy, environmentally friendly technology, and infrastructure development.

Both organizations, supported by their CEOs, agree that the economies, communities and livelihoods of the people of both countries would benefit from closer cooperation, not from steps that would erect obstacles to greater integration and reduce interdependence in the areas of technology, finance, investment, and trade.

Consistent with past sessions, USCC and CCIEE urge both governments to take the following steps to advance bilateral economic relations:

- address broader bilateral relations, including the effects of U.S. and Chinese policies on the global economy, from a strategic perspective, and work to ensure that cooperation, rather than differences, prevail in this most important and complex bilateral relationship in the 21st century;
- work more closely to help ensure stability and growth of the global economy, amidst slowing global growth and uncertainty in the world economic outlook;
- strive, on the basis of consensus, to conclude bilateral investment treaty (BIT) negotiations this year;
- pursue science and technology cooperation where possible, increase exchanges in innovative fields, and strengthen the protection of intellectual property;
- build on the two presidents' September 2015 commitment not to undertake nor support cyber theft of commercial information for commercial gain, and to remove this issue as a source of concern in the bilateral relationship;
- intensify bilateral discussions regarding China's potential accession to the Trans-Pacific Partnership (TPP) and United States' potential accession to the Regional Comprehensive Economic Partnership (RCEP), and pursue the Asia Pacific Economic Cooperation (APEC) goal of comprehensive free and open

trade and investment in the Asia Pacific region that will create the largest such area in the world by around 2030;

- strengthen efforts to build a more open trading and investment system, including by concluding a robust Environmental Goods Agreement (EGA) in the WTO as soon as possible, resist trade and investment protectionism and constructively resolve differences, and advance domestic policies that support growth; and
- launch a cooperative study on a Bilateral Investment and Trade Treaty (BITT) at an appropriate time and start negotiations when conditions are ripe.

Details of these recommendations are contained in the addendum to this document.

USCC and CCIEE believe that creating a supportive policy environment is critical to deepening bilateral trade and investment. Both organizations therefore agree to continue to urge appropriate policy changes and actions on both governments.

Members of the Dialogue also agree that business-to-business and public-private sector partnerships on concrete cooperative projects can and need to create models, or building blocks, that embody the goals Dialogue members are urging in the policy realm. For this reason, USCC and CCIEE have decided to take the Dialogue to a new level of action.

USCC and CCIEE agree to undertake the following set of joint activities that can provide leadership by example on specific issues in bilateral economic relations in support of the policy goals we advocate:

I. Best Practices in Information Communication Technology (ICT) Security in the Financial Services Sector

Every day brings news of a new cyber breach or other ICT-related threat to security and privacy. Such events are particularly serious in the financial services sector, given the critical role that sector plays in the global economy. The U.S. and Chinese governments are taking actions to address threats in this area, but often with different approaches.

USCC and CCIEE believe that a positive and constructive approach to this issue can contribute to win-win outcomes and improve ICT security in this critical sector.

Agreed Action: Over the coming 12 months USCC and CCIEE will organize two seminars, one each in the United States and China, that will allow the sharing of best practices in the area of ICT security for the financial services sector. Participants will include company and government experts, including especially those from regulatory authorities that oversee this sector. The goal of this exchange is to share practical experiences. Following the second seminar, participants will decide whether or how to continue these exchanges.

II. Enhance U.S.-China Bilateral Investment Cooperation and Foster Win-Win Opportunities in Third Countries

USCC and CCIEE agree that investment is an important driver of economic growth and trade, and no investment relationship in the world has greater potential than that between the U.S. and China. Both organizations agree that near-term completion of a high quality BIT is the most significant opportunity to promote more bilateral investment.

Participants call upon the two governments to work expeditiously to negotiate and conclude a BIT that results in the maximum removal of restrictions on two-way foreign investment. While participants concede that they may have differences regarding the scope of a BIT, they agree to advocate with their governments for the timely conclusion of such an agreement by the end of this year. Both organizations agree that the two governments and business communities should take the respective concerns of the other seriously in the negotiations.

Both organizations also agree that both governments should conduct national security and antitrust reviews and enforcement with increased transparency and efficiency, without consideration of industrial policy goals, and to work to ensure that broader political factors do not impact consideration of inbound FDI from the other country under each country's FDI review process. Both organizations, supported by CEOs, agree to strive to create the most welcoming regulatory environment possible for investment of companies by each country in the other.

USCC and CCIEE believe investment promotion activities, including in third countries, can make a significant, positive contribution to U.S.-China relations. Further, the organizations agree that the contributions of companies from both countries in third-country partnerships may often be complementary and can help to ensure that overseas infrastructure projects are completed in an efficient way with lasting, positive impact.

Agreed Action: At USCC's invitation, CCIEE Vice Chairman and Secretary General Zhang Dawei and a CCIEE delegation participated in the USCC's Invest in America! Summit on April 12, 2016 in Washington, DC, with Vice Chairman Zhang making an important presentation regarding U.S.-China investment.

As follow up to this work, USCC and CCIEE will continue to actively advance various activities to further promote bilateral investment flows. In addition, within the next 12 months, USCC and CCIEE will organize a conference on Belt and Road in China, which will allow USCC company participants to be briefed in detail on Belt and Road plans, including initiative content, current progress, and cooperation activities that might be especially appropriate for U.S. company participation, including in partnership with Chinese companies. The success of the conference will be judged over time by the number of such opportunities that become reality.

III. Promoting Development of Internet of Things

The use of information and telecommunications technologies is revolutionizing virtually all aspects of human endeavor. Nowhere is the impact potentially greater than in connectivity of people and information. Areas such as e-government, healthcare, transportation, utility networks, integrated building management, and others all stand to benefit from the intelligent application of information and telecommunications technologies. Such efforts are of great importance to the United States and China, as both tackle problems and issues relating to urbanization, infrastructure, and sustainability.

Agreed Action: USCC and CCIEE and, over the coming 12 months, will organize two seminars, one each in the United States and China, to exchange ideas on the best approaches to the intelligent and secure use of information and

telecommunications technologies. Each seminar will include private sector and government experts and focus on the following areas:

- Internet of Things;
- modern intelligent transportation/logistics;
- e-government;
- healthcare;
- energy management, including automated demand response and technologies to give building operators and tenants greater intelligence, data, and control over their facilities' operations; and
- utility smart meters and software.

ADDENDUM

Policy Recommendations:

I. Promote Two-Way Investment via a High-Standard Bilateral Investment Treaty

Strong growth in two-way investment provides great economic vitality and benefits to both countries, including job creation, more competitive consumer markets, and the most efficient supplier base for our globally active businesses. Two-way investment between the United States and China has significant potential for additional growth. One sign of this growth is that in recent years, the flow of Chinese FDI to the United States has surpassed that of U.S. FDI into China, demonstrating both the readiness of Chinese firms to operate on a global basis and the openness of the U.S. to capital from abroad. This era of two-way FDI flows benefits firms and consumers in both countries, but requires increased policy attention and more positive steps by both sides.

The two governments are committed to advancing negotiations on a BIT. Accelerating negotiations would further increase two-way FDI and economic benefits for both countries and reinforce recent trends.

The two governments should continue to work hard to narrow the scope and increase the specificity of their negative lists as well as ensure that the BIT rules create an open, transparent, and fair environment for each country's investors.

Further, and to ensure that the market-opening commitments of a BIT are credible, both governments should confirm the bedrock principle that in pursuing measures to protect national security, they should ensure that such measures are: (i) necessary to advance a legitimate security objective; (ii) narrowly-tailored to achieve that objective; and (iii) the least restrictive of open trade and competition as possible. Both sides should also affirm their commitment to refrain from using national security justifications to cause unforeseen and unreasonable losses for investors from each country, and ensure that their national security and related laws clearly reflect that commitment.

The two governments should aim to complete BIT negotiations by the end of 2016.

II. Promote Trade Liberalization and Facilitation in the Asia Pacific Region

The two governments should continue to pursue the APEC goal of comprehensive free and open trade and investment in the Asia Pacific region. The TPP negotiations are complete, and RCEP negotiations are ongoing. China and the United States should intensify discussion on China's potential accession to the TPP and U.S. potential accession to the RCEP, and other mechanisms to avoid the emergence of competing regional trade blocs.

The United States and China should also continue efforts to contribute to the rules-based trading system, including by broadening and strengthening commitments under the WTO. As with the TPP, the terms of trade agreements in the Asia Pacific should be "WTO-plus", should be ambitious, and aim to set a high standard.

Once the two governments have concluded a BIT, they should quickly take the additional step of pursuing a BITT that would go even further to promote free and open trade and investment between them, provide institutional support for deepened economic and trade cooperation, and advance the process of realizing free trade and open investment in the Asia Pacific.

The Chinese side emphasized that trade disputes and China's market economy status should be resolved under WTO regulations.

III. Promote Market-Based Approaches to Financial Reform

The financial sector, including banking, securities, insurance, derivative markets, exchanges, and electronic payment services, is a critical engine of economic growth facilitating two-way trade and investment and driving innovation in both countries. Cooperation and sound regulation in this sector is critical to continued growth and transition to new economic drivers in both countries. Both governments should continue to strengthen financial cooperation, enhance market access, provide national treatment and a level playing field, increase consumer choice, and facilitate market-based, rational allocation of various resources.

IV. Promote Business Cooperation and Coordination under G-20

China's hosting of the G-20 in 2016 provides new opportunities for the business communities of the United States and China to work to strengthen the business sector's engagement with G-20, in the preparation of the agenda and its implementation. The U.S. and Chinese business communities can work to strengthen the role of the B20 to ensure the maximum contribution by the business sector to G-20 objectives. The two organizations call on both governments to attach the greatest importance to the views of the business communities under the G-20 process.

V. Promote Innovation and Enhance Cooperation on Energy, Environment, Healthcare, High Technology, Infrastructure Development, and Connectivity

USCC and CCIEE recognize that innovation and sustained economic growth require continuous cross-border collaboration and communications. Measures that erect obstacles to greater integration and reduce interdependence in the areas of technology, finance, investment, and trade are very damaging to this goal, whether through unnecessarily restrictive technology export controls or policies by one government that discriminate against technologies from the other. Both organizations agree that the development of each country's innovative industries in the other should not be impeded by discriminatory policies or measures. USCC and CCIEE urge both governments to avoid restrictions of trade and investment activities in both countries based on nationality of the IPR or of the manufacturer, and work together to create an open and cooperative environment for innovation. Both governments should take accelerated steps to address the issue through consultation.

USCC and CCIEE urge both governments to endeavor to place the high-tech trade relationship on a more stable and sound footing, as the ICT sector is critical to both economies and is a substantial contributor to the overall trading relationship with substantial room for additional growth. Both governments should continue to work to facilitate mutually beneficial commercial opportunities in the ICT area and reduce the barriers that are restricting its potential.

With both the United States and China interested in cleaner energy development and application, both governments should focus on ensuring access to their respective markets. With particular attention to alternative and unconventional energy resources, both countries should continue to actively encourage cooperation and dialogue on technology, environmental protection, regulatory frameworks, and best practices through workshops, information sharing, and forums. Information sharing on energy efficiency programs and technologies for residential and commercial buildings and industrial facilities should be another area of emphasis.

Both countries should increase transparency in their regulatory development, pricing structure, and other policies for healthcare products and services in order to expand access, reduce costs, and improve the overall quality of healthcare available to their populations.

As two major trading powers, the United States and China have a shared stake in promoting efficient and competitive transportation services and integrating multi-modal infrastructure and digital connectivity. The two countries should expand and deepen dialogues on international best practices in the fields of transportation and customs administration, and deepen discussions designed to facilitate ubiquitous digital connectivity.

VI. Enhance Agricultural Cooperation

Access to affordable, safe, and healthy food in sufficient quantities is important for everyone. There is much more that can be done by both countries to promote U.S.-China cooperation and thus help promote this goal. USCC and CCIEE urge both governments to deepen cooperation in all aspects of agriculture. This should include ensuring that regulatory regimes produce timely and science-based decisions for approvals of cutting-edge technologies.

VII. Make Progress on Cyber and Information Security Issues

USCC and CCIEE believe that as leaders in the Internet sector, the United States and China have extensive common interests on the issue of cyber security and face many of the same challenges, though differences in their views remain. We call on the two governments to work hard to narrow differences in this area, and urge both governments to exert best efforts to cooperate in areas where they already have consensus, e.g. battling cyber-enabled criminal activities. USCC and CCIEE also call on both governments to reaffirm their commitment to open ICT markets, recognizing the benefits both countries enjoy from integration into global ICT industry value chains.